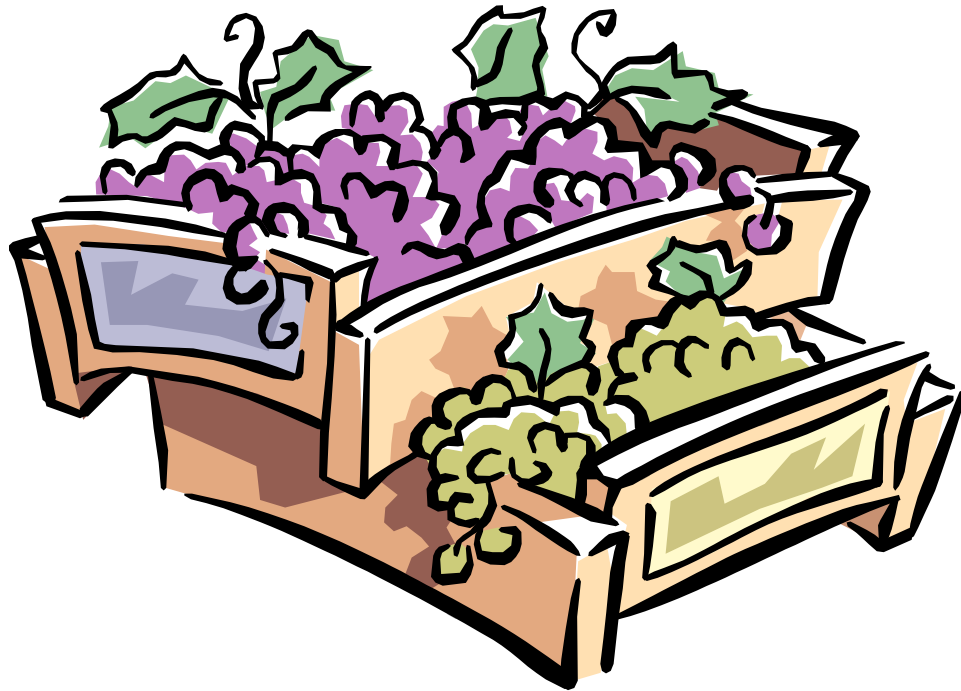


A Wine Marketing Plan That Supports Cash Flow



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Who needs a marketing plan?

- **Start-up firms (as a part of a complete business plan)**
- **Existing firms that are considering major expansion**
- **Firms that need to access outside capital**
- **In these situations, a business plan with a well developed marketing plan is useful, even essential, to communicate clearly with bankers, financial advisors, and/or potential outside investors**

Goal of Presentation

- To provide a framework for you to organize your thoughts and decisions about the marketing plan so that you can survive the “cash flow problem” associated with investing in a new winery; and eventually prosper.

Contents of a typical B-Plan

- *Executive Summary*
- *Business Description*
- *Plan of Operations*
- *Management Team*
- *Industry Analysis*
- *Competitor Analysis*
- *Marketing Plan*
- *Financial Plan*
- *Conclusion*

Mission Statement

Use the following questions to help in writing your mission plan:

- **What business are you in?**
- **Why does your winery exist?**
- *****What customer needs does your winery serve?**
- **What values are most important to you and your winery?**

Industry Analysis

- **The industry analysis describes forces taking place in the wine industry that will affect your winery.**
- **Presents background industry information, distribution patterns, historical trends, current consumption patterns and other factors affecting the wine industry and your firm.**
- **The goal is to show the opportunities and threats that your winery will be facing.**

Industry Analysis

- **What are the historical and current trends affecting the wine industry?**
 - *****Consider consumption, production, distribution, consolidation, technological, social/cultural, demographic, and economic trends.**
- **What governmental regulations affect the wine industry?**
 - **Environmental regulations- wastewater disposal, chemical usage**
 - *****Legal regulations- shipment of wines, product labeling**
 - **Taxes- state and federal excise taxes, property & school taxes, employee withholdings**
 - **Permits- winery bonds, farm winery license, sales licenses**

Competitor Analysis

- **List and describe your competitors- both direct and indirect**
 - **What are their general characteristics? (Wines & Vines Directory)**
 - **Location, years in business, managers, philosophy**
 - *****What is their marketing strategy?**
 - **Target market, product mix, promotion campaign, tasting room**
 - **Why are they successful?**
- ******How is your winery different from your competitors?***
 - **What is your sustainable competitive advantage?**
 - **Why will customers buy your wine**

Marketing Plan

- The ultimate purpose of the marketing plan is to explain how you will get your wines known and purchased by customers.
- The section begins by identifying the target market or group of customers to whom the firm aims its marketing effort.
- ****The target market is not simply whoever is buying or will buy your products, but rather those individuals or businesses that you identify as your most desirable customers.*

Target Market and the 4 P's



Target Market

Use the following questions to identify your target market:

- **Who are your most desirable customers?**
- **Is this segment of the market profitable and does it offer growth potential?**
- **Does your firm have a competitive advantage in meeting the needs and wants of customers in this segment?**
- **Is your competitive advantage sustainable?**

Key point:

- **The key to a successful marketing strategy is to have a clearly defined target market sooner, rather than later, in the planning process.**
- **This means before grapes are planted, IF you are going to grow your own grapes.**
- **For a grower who is thinking of starting a winery, basing your target market and your product line on what grapes you are currently growing is getting the cart before the horse!**

Marketing Strategy-It's more than just promotion and advertising!

- **Product strategy examines the products being sold, packaging, and position in the market.**
- **Pricing strategy discusses various methods of formulating price strategy and looks at the impact prices have on customers and profitability.**
- **Promotion strategy focuses on getting your product known. It examines promotional techniques such as advertising, public relations, sales promotions, and networking.**
- **Place strategy examines various distribution channels and discusses activities involved in moving goods from the producer to customer.**

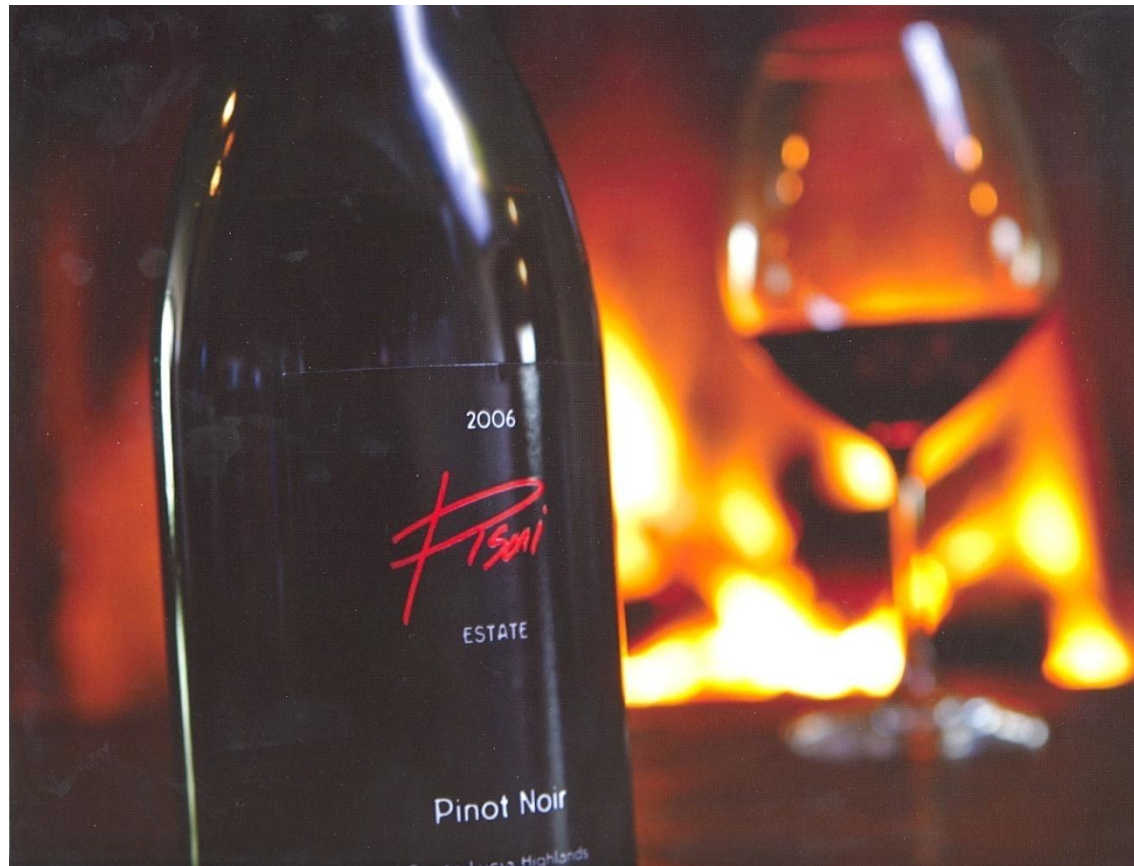
Product strategy

- **What type of wine or combination of wines will you sell?**
 - **Vinifera varietals, French American hybrids, or Native American varieties**
- **How is the wine packaged?**
 - **Volume- 750 ml, 325 ml, or 1.5 liter**
 - **Glass-color, weight, style**
 - **Cork- traditional or synthetic**
 - **Capsule- wax, foil, plastic, or none**
 - **Label- design, style, and message**
 - **Box- cardboard 12 bottle cases, cardboard 6-packs, wooden 12 bottle cases, wooden 6 packs, cardboard 2-packs**
 - **Will you wrap bottles with tissue paper?**
- **How much wine will you make?**
 - **What is your five-year production plan?**

Product strategy (cont'd)

- **Will you produce a 1st and a 2nd label wine?**
 - **How much volume goes into each label?**
 - **Will both labels carry the same brand name?**
- **Will you vineyard designate?**
- **Why would a consumer buy a bottle of your wine instead of a competitor's wine? (The “elevator conversation”!)**
- **What other products or services will you offer to customers?**
 - **Tasting room & gift shop, wine trails, wine tastings, educational events, winery & vineyard tours, winemaker dinners, barrel tastings, harvest parties, other local attractions, etc. “Wine related” sales amounted to 15 % of total revenue in the income in the business plan in the “Timeline and Strategies” investment analysis.**

Example: 1st Label-price point=\$65



Example: 3nd Label-price point=\$18



Agri-tourism link (Product Strategy)

Tasting room & gift shop, wine trails, wine tastings, educational events, winery & vineyard tours, winemaker dinners, barrel tastings, harvest parties, other local attractions, etc.—

80 % of the wineries in NC have a tasting room (Wines and Vines Directory), and wineries indicated on average that 81% of their sales are direct to consumers

All of these activities, plus the usual reliance on direct sales at the tasting room—mean that the “product” strategy often needs to be linked with wine trail events or other agri-tourism efforts

Pricing strategy

- **What pricing strategy do you follow: high price/high quality, low price/high quality, or low price/low quality?**
 - **Prestige pricing vs. value pricing**
- **How much does it cost to produce your product?**
- **What are your competitors' prices?**
- **What are the prices you receive at each distribution channel?**
 - **Tasting room- Retail prices**
 - **Direct to retailers- Wholesale prices (2/3 of retail)**
 - **Through a distributor- FOB prices (1/2 of retail)**
 - **“Diseconomies” of size---comment**

The “lure” of selling direct through the tasting room

- Most wineries are extremely reliant on selling at the tasting room, and receiving 100 % of the retail price.
- These wineries are operating in a “comfort zone” that makes it difficult for them to target consumers who would pay \$15 - \$20 per bottle, and higher.
- Since it is hard to target these consumers who would pay more, tasting rooms tend to have “something for every taste.”
- Implication: product lines are long—wineries tend to have 12-20 wines offered with a range of prices from \$8 to \$20 per bottle.
- This makes it difficult for a winery to concentrate on producing the very highest quality wine that would bring critical acclaim to the region/state, and indeed, nationally. Leads to comments such as “NY wines don’t get the recognition (or respect) they deserve.”
- The “Red Cat” example! (tasting room atmosphere; New Year’s Eve story)
- Counter example: Dr. Franks’s Vinifera Wine Cellars
- Diseconomies of size? (The limit on how much wine can be sold through the tasting room)

Wine Marketing in NC

- **There is evidence that many wineries in NC are pursuing a more targeted strategy toward higher priced wines. Wineries who are specializing in vinifera wines: 42 NC wineries (W & V Directory).**
- **If you are successful with this strategy, wine trails and agri-tourism may not be as important for your business as it is in NY. (There is a limit on how much wine you can move through the tasting room—7,000 cases? Requires using wholesalers and/or sales to retailers. Shipping out of state?)**

Discussion: Evaluate the following statement:

- “A good wine sells itself!”

Promotion Strategy: My view

- A “good” wine is absolute essential for marketing success.
- “Good” at its first level simply means “technically correct”, but it also brings into mind consumer preferences re: vinifera, hybrid, or native varieties.
- In any event, a “good” wine does not sell itself as well a wine that is marketed with a carefully targeted, well thought out marketing plan!
- Perhaps as much as 10-14 % of wine will not be sold, but will be used for tasting and other promotional events (important for calculating cash flow!), and perhaps an additional cost of \$3-5 per case sold is necessary for other “marketing expenses.” (See next slide for an example of wine withheld for promotional purposes)

PROMOTION- ultra prem. winery example

Percentage of Wine Withheld for Promotional Purposes **Promotional Use % Withheld**

- Poured in tasting room 10%
- Given to staff/investors/owners 2%
- Reserved for library program 1%
- Distributed to media/fairs/tastings .5%
- Given to charity .5%
- Total volume not sold 14%
- Must be taken account for cash flow plan

Promotion strategy

- ❑ **What are your promotion goals?**
 - ❑ **Provide information, stimulate demand, differentiate, counter competitors, attract customers to the winery**
- ❑ **Who are your promotion activities targeting?**
 - ❑ **Tasting room visitors, direct mail purchasers, distributors, restaurant owners, wine shop owners. (Reliance on tasting room visitors dictates that signage will be very important. Advertising is heavily oriented toward billboards and brochures).**
- ❑ **What media will you use to reach your target market? And which specific media companies reach your selected target market?**
 - ❑ **Radio, newspapers, newsletters, flyers, posters, e-mails, billboards, website, word of mouth, yellow pages, magazines, brochures**
 - ❑ **What will be your method of keeping in contact with visitors to the winery who like your wines, and could buy your wines in the future from their homes?**

Keeping in contact with customers (Promotion Strategy)

- **Wineries heavily reliant on tasting room sales (80 % of the wineries in NC) need a method of keeping in contact with visitors to their winery.**
- **One approach is to combine some kind of method for getting names and addresses of customers who buy wine and keeping in contact through various methods**
 - **Newsletters, e-mail list serves (one estimate: only 50 % of these e-mails get opened...but how many newsletters get thrown away without being read?)**
 - **Wine clubs (Over 36 % of NC wineries indicated that they had wine clubs)**
 - **Shipping out of state? (Not indicated in the 2011 Wines & Vines survey)**

Keeping in contact with visitors to the winery ????

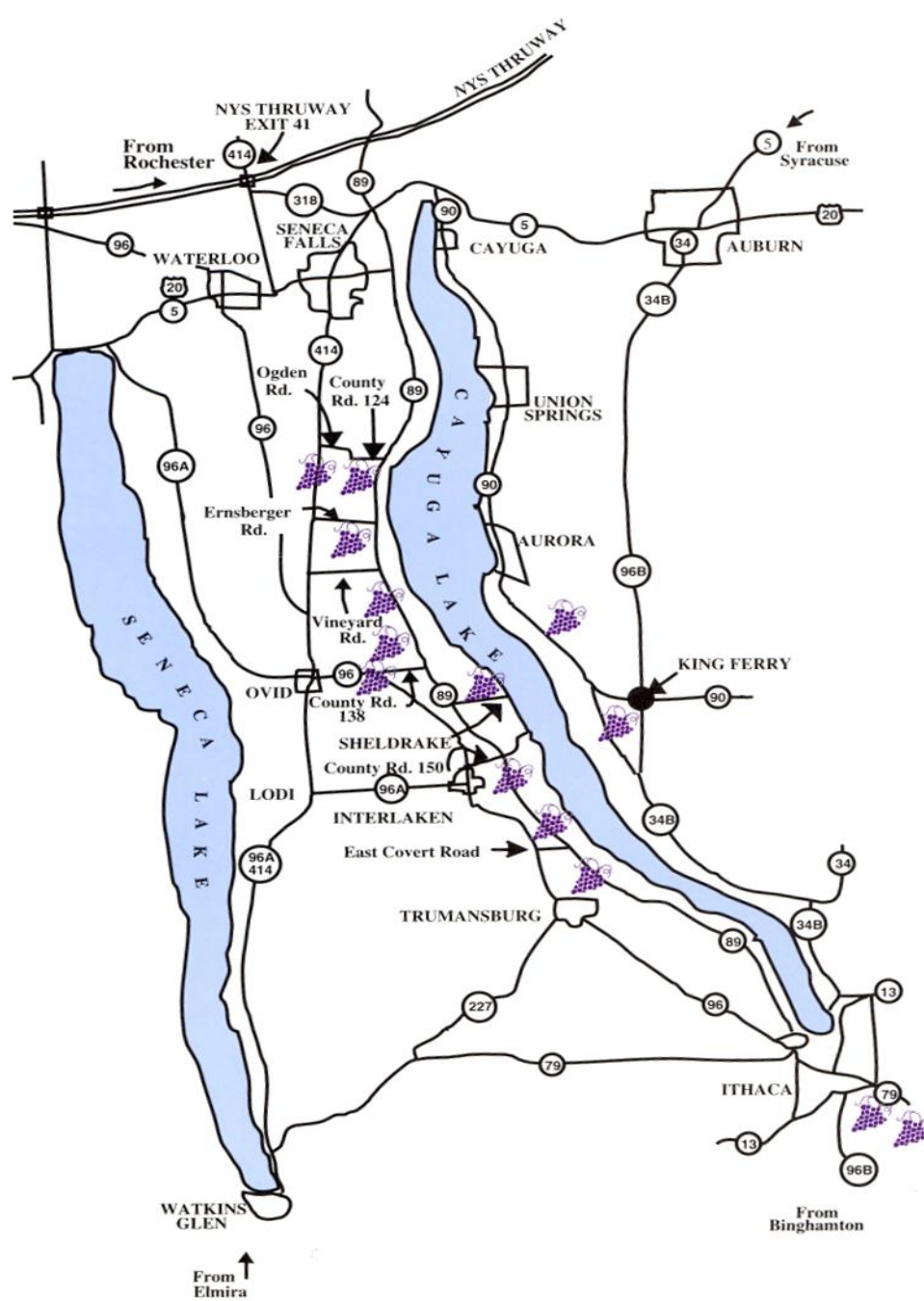
- This brings into focus direct shipping laws.
- This suggests the potential of well-designed web sites and/or use of e-mail lists that could result in orders from past satisfied (or new) customers. (E-mail lists have the advantage of being much less costly than direct mail).
- Send good customers a calendar?

Keeping in contact with visitors to the winery



Importance of Wine Trails for the Marketing Plan

- I understand that NC has a few organized wine trails (Shallowford, Haw River, Uwharrie Mtns., Vineyards of Swan Creek and others).
- NY has 12 trails, 11 of which receive state support through the NY Wine & Grape Foundation. Total budget: approx. \$300,000, about 67 % furnished by the participating wineries and about 33 % provided by state funding. Budgets average about \$25,000 per trail (range of \$4,000 to \$60,000). NY has over 300 wineries.
- The NY Industry has been successful leveraging state funds in support of wine trails, linking their potential benefit to tourism and rural economic development. (There is a downside-traffic, congestion on highways, noise from the anti-alcohol crowd!)



Importance of Wine Trails

- **The reliance on direct sales in the tasting room somewhat limits the choice of the “target market” for most wineries to visitors/tourists/residents in the local area.**
- **This re-enforces the importance of wine trails as a component of the promotion strategy.**
- **Analogy: the river is the wine trail, the fisherman is the winery marketing manager! The river may contain 50 thousand to 100 thousand fish!**
- **These fish can be (and are) caught more than once!**
- **Wine trails are not as important in NC as in NY. But, could they be more important in the future? Could you work with your state legislators to build more support for wine trails in your state? To make it easier (and cheaper) to get highway signage?**

What wineries can do together through wine trails:

- **Jointly develop and design promotional materials, wine glasses, and resource materials**
- **Jointly develop and coordinate trail signs on the highways (you can never get enough signage!) The NC Wine & Grape Council offers cooperative billboards for wineries, but the official highway signage is controlled through the NC DOT and is quite costly.**
- **Joint activities (e.g. tastings or events scheduled at the same time)**

Promotion strategy (cont'd)

- **Will you have a tasting room? (Probably yes! 80 NC wineries indicated they had a tasting room)**
 - **Free tastings, winery tours, special events, gift shop, food**
- **How much wine will you allocate for promotional purposes?**
 - **Poured in the tasting room, given to investors, owners, & staff, saved for the library program, donated to charity, given to wine writers (could be 10 to 14 %! of production!)**
- **Will you use sales promotions?**
 - **Full case purchase discounts, monthly sale specials, shelf talkers (another 10 % of potential sales are knocked off in the financial projections for case discounts)**
- **Will you travel to promote your wines?**
 - **Attend wine competitions, winemaker dinners, tastings, or visit accounts (Pisoni example)**

Distribution strategy

- **Where will customers purchase your wines?**
 - **Tasting room, direct mail, restaurants, wine shops, liquor stores**
 - **What are the advantages, disadvantages, and costs associated with selling through the various distribution channels? (Impact of wholesale distribution on “economies of size”)**
 - **What is your five-year distribution strategy?**
 - **How does volume affect your distribution strategy**
 - **Will you place a limit on how many bottles a customer may purchase (in conjunction with “prestige” pricing?)**

Distribution strategy

- You may want to pursue a dual strategy:
 - Work with the wine trail to get visitors and to make the wine trail a “destination”. It is difficult to make the winery a destination—only a few can accomplish that. (e.g. maybe a half dozen wineries of the 300+ wineries in NY have succeeded at becoming a destination).
 - At small wineries, tasting room sales typically account for at least 50% of sales (and close to 100 % of sales for wineries producing less than 6,000-7,000 cases).
 - Larger wineries will need a branding strategy to develop the other 0 to 50% of sales. (Branding was discussed as a part of the product strategy.)

Size profile for NC Wineries

- Less than 1,000 cases 39 wineries
- 1000-4,999 cases 38 wineries
- 5,000-49,999 cases 20 wineries
- 50,000-499,999 cases 2 wineries

Review: Target Market and the 4 P's



Marketing Budget

- **How much money will you allocate towards marketing your wines?**
 - **So many dollars per case, a percentage of sales, a fixed amount each year**
 - **It probably requires \$3 to \$5 per case to market wine, depending on type of wine and the target market**
- **Who is responsible for marketing your wines? A 10,000 case winery with some emphasis on selling to restaurants and/or liquor stores, needs a full-time person for marketing/sales**

Financial plan-the link between cash flow and marketing

“In order to make a small fortune in the wine industry, start with a large one.” Why?

- Wineries are capital intensive and an accurate financial plan is vital for the success of a start up winery.**
- Wineries must pour large sums of money into capital assets such as crushers, presses, stainless steel tanks, bottling lines, etc. that are only used a few weeks out of the year.**

Financial plan-the link between cash flow and marketing

- **Cash flow constraints arise because of the long lag time from production to sales.**
- **Premium wineries are required to age wines one to two years prior to releasing them, and this aging process ties up a great deal of capital in inventory.**
- **This lag time is even more of a problem for growing (and start-up) wineries because, only when production levels off, are sales able to catch up with production volume. A well designed marketing plan helps you to “grow” sales!**

Financial plan-the link between cash flow and marketing

- **It takes time to get a successful marketing plan in place. It usually takes five years before a growing winery is into a positive cash flow situation, and most often it is even longer.**
- **Cash flow is “King”!**
- **A detailed financial plan can help wineries avoid financial difficulties.**
- **The lag is even longer for new entrants to the grape and wine business who are going to source from their own plantings of grapes. (This is an difficulty strategy for all but the investors with “deep pockets”—and those who have many years in their planning horizon!)**

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